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CHINA REPORT ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

'JINGJI GUANLI' REVIEWS ECONOMIC SITUATION OF 1981

HK040745 Beijing JINGJI GUANLI in Chinese No 1, 15 Jan 82 pp 16-19

[Economic commentary by Zhong Yi [0022 3015]: "Our Country's Economy Develops Steadily in the Course of Further Readjustment--A Review of the Economic Situation of 1981"--note passages within slantlines denote boldface]

[Text] At the fourth meeting of the Fifth NPC, Premier Zhao Ziyang pointed out in his report on the government's work that in 1981 our national economic plans could be expected to be successfully fulfilled, the goal of economic stabilization could basically be attained, and our national economy had embarked on the path of steady development. This appraisal is realistic and correct. It gives expression to the fact that last year the whole nation made concerted efforts and advanced through the overcoming of difficulties, our country's economy continued to develop in the course of readjustment, gratifying success was achieved in economic development, and the people of our country have acquired greater confidence in being able to advance bravely on the road of the four modernizations.

Main Indications of the Fact That Our Economy is Basically Stable

In 1981, we began to put an end to the passive state of our economic work and had really achieved great success. What signs indicate that our country's economy is basically stable? There are five main indicators.

/(1) There has been sustained growth in production./ Agricultural production is expected to have grown by about 4 percent. Last year the weather was quite abnormal in our country. Drought was followed by overly wet weather that caused waterlogging. The growth of agricultural crops was greatly affected. In the winter of the year before last and in the following spring, various places such as North China, Shangdong, Henan, Hunan, Hubei and Guizhou suffered from serious drought which affected about 400 million mu of farmland. After July various places such as Sichuan, Heilongjiang, Shaanxi, Gansu and Guangdong suffered from exceptionally disastrous flooding and waterlogging. More than 120 million mu of farmland was inundated. Because various localities conscientiously implemented a series of policies concerning the rural economy, further instituted and perfected various systems of responsibility in production, and fully mobilized the enthusiasm of the vast numbers of commune members in production, the losses due to the natural disasters were greatly reduced. According to estimates based on surveys conducted by the departments concerned, the total grain output last

year was more than 2 percent higher than in the year before last; the output of cotton grew by over 5 percent, surpassing the record figure attained in 1980; the output of oil-bearing crops again grew by 20 percent, after 3 years of drastic growth; the output of sugar crops increased by 10 percent; and the output of flue-cured tobacco, tea, and so on, also greatly increased.

It is expected that the growth in industrial production has surpassed the planned annual rate of 3 percent. Light industry continued to grow substantially. In 1980 it grew by 18.4 percent, and on this basis, the growth in 1981 may have been around 13 percent. There has been a hefty growth in the output of many light industrial and textile products, in particular the 10 categories of machinery and electrical products for daily use which are the specified key products to be developed on a national scale and which people call the 10 most important products. Compared with figures for the same period of the previous year, the output figures for the period of January to November 1981 show increases of 320 percent for washing machines; 100 percent for television sets; more than 30 percent for bicycles and sewing machines; 26 to 97 percent for watches and clocks, radios, recorders, cameras, electric fans and electric meters; 8 to 26 percent for cotton yarn, synthetic fibers, silk fabrics, woolen goods and knitting wool; 25 percent for sugar; 11 percent for cigarettes; and 14 percent for beer.

With the development of industrial and agricultural production, the annual total retail value of social commodities is expected to have increased by 9 percent over the previous year. The retail quantities of various categories of consumer goods have increased on an overall scale. The market supply has been good. Country fair trade has been very active in both the towns and the countryside. The varieties of goods supplied have continued to increase. The total value of transactions in country fair trade in towns and in the countryside reached 23.5 billion yuan, an increase of 23 percent over the previous year. According to surveys conducted in some localities on the purchase of daily consumer goods by urban residents, about 30 percent of poultry, fresh eggs and aquatic products, and more than 40 percent of vegetables, are obtained through country fair trade. The development of country fair trade can help compensate for the shortage of certain goods sold by state-run shops, thus facilitating the daily life of the masses. It can also help increase the peasants' income and promote the development of diversified occupations.

/(2) The scale of capital construction was effectively reduced./ Last year readjustment was vigorously carried out according to the principle of working within our capability and proceeding in an orderly way and step by step. Consequently, we have preliminarily put an end to the situation, which has persisted for many years, of the capital construction front being overextended. For one thing, the overall scale of construction has been reduced. According to estimates, the actual investment in capital construction in our country amounted to about 38 billion yuan in 1981, some 30 percent less than in 1980. A part of this investment, the state's budgetary investment, was reduced by more than one-third. For another thing, the construction of a number of projects was discontinued or postponed. In the light of our country's available financial and material resources, the construction of a number of large-scale and medium-scale projects was discontinued or postponed last year. Thus, the construction of more than 900 large-scale and medium-scale projects was discontinued or put off during the

3 years from 1979 to 1981. According to estimates, with the discontinuance and postponement of these large-scale and medium-scale projects, the reduction in the investment in projects under construction amounted to more than 47 billion yuan. That is to say, a considerable proportion of the total number of projects under construction were discontinued or put off. Because the capital construction front has been reasonably reduced, the scale of construction has begun to become relatively compatible with our country's available resources. This significantly and positively contributes to the reduction of fiscal expenditure, the stabilization of our economy and the correct handling of the relationship between production and construction on one hand and the people's livelihood on the other.

/(3) Fiscal revenue and expenditure was basically balanced./ During the 2 preceding years, relatively large deficits appeared in our country's finance, namely, 17 billion yuan in 1979 and 12.7 billion yuan in 1980. Fiscal expenditure exceeded revenue, an overly large quantity of money was issued, and the gap between the social purchasing power and the available supply of commodities was rather large, so that latent economic dangers existed. Last year, adopting a series of effective measures and firmly relying on the whole nation, our party and government resolutely cut back various categories of expenditure, opened up many sources of revenue and thus increased revenue, vigorously practiced economy, and struggled arduously, so that the plans concerning fiscal revenue and expenditure were successfully implemented. During each of the first three quarters, fiscal revenue exceeded expenditure. Although a relatively large amount of funds was invested since October, and the funds were used in a relatively centralized way, the financial situation remained stable till the end of November. It is estimated that the fiscal expenditure for the whole year slightly exceeded the revenue. However, it is absolutely possible to attain the goal of basically achieving balance between revenue and expenditure. In only 1 year's time, the relatively large deficit in our country's finance had given way to the basic attainment of balance. This was an extraordinary achievement, which is of tremendous significance to economic stabilization.

/(4) Commodity prices were basically stable in the market./ Fiscal revenue and expenditure were basically balanced, supply was relatively adequate in the market and a larger amount of money was withdrawn from circulation. This situation significantly contributed to the basic attainment of stability in commodity prices. According to information from surveys conducted by the departments concerned, last year's rise in the overall index of commodity prices was smaller than that of the year before last. The prices of basic daily necessities were stable. However, there was a rise in the prices of certain commodities which are closely related to the people's daily life. For example, the market supply of vegetables decreased because of natural disasters in certain localities and because of other reasons, so that in a considerable number of towns and cities, the prices of vegetables generally rose by around 7 percent. In some towns and cities, the prices rose by more than 20 percent. Another example is that in some localities the prices of aquatic products generally rose by around 5 percent because larger quantities of products were purchased at negotiated prices and smaller quantities at listed prices. In some cities, the negotiated prices of marine fish were some 40 percent higher than listed prices. In some localities, people arbitrarily raised the prices of certain commodities other than tobacco and liquor, increases in the prices of the latter being restricted. The departments

concerned are taking practical measures to further strengthen the control of market prices. Violations of commodity price policies are definitely not permitted.

/(5) The people's livelihood has further been improved./ Let us first talk about the peasants. With the increase in agricultural output on an overall scale, and in particular, with the rapid development of commune members' family sideline occupations, the peasants' income markedly increased last year, on top of the relatively large increases in the 2 preceding years. The estimated average income from all sources of each peasant was some 215 yuan last year, some 25 yuan higher than in the year before last. Over the past 3 years since the third plenary session of the 11th CCP Central Committee, the cumulative increase in income was more than 80 yuan for each peasant on the average, which was some 100 percent larger than the cumulative increase in a peasant's income during the decade of the "great cultural revolution." The majority of peasants have earned a higher income and now they generally have "four wants." They want more spacious accommodation, nutritious food, high quality clothing and bicycles. Next, let us consider the workers. Last year's estimated total amount of wages paid in our country was over 82 billion yuan, an increase of some 7 percent over the year before last. The average income of workers in units under the system of ownership by the whole people rose from 803 yuan in the year before last to 820 yuan last year. Residential premises whose construction was completed last year provided more than 80 million square meters of living space in the whole country for workers. Thus, the total residential area provided by buildings on which construction was completed during the past 3 years amounted to 225 million square meters, which is equal to the total figure for the 12 years from 1966 to 1977. The savings deposits of the people living in urban and rural areas greatly increased, reaching 50.3 billion yuan by the end of November last year, an increase of 10.4 billion yuan or 26 percent over the year before last. This increase greatly exceeded the average annual increase of 7.3 billion yuan for the years 1978 to 1980. This is an important indication of both the improvement in the livelihood of the broad masses of people and the stability of our country's economy.

Economic Stability Is Due to Further Readjustment

Economic stability in our country could basically be achieved last year because the eight-character policy was conscientiously implemented, and in particular, because the policy of further economic readjustment was resolutely implemented. Practice has proved that the major strategic policy of further economic readjustment, decided upon by the CCP Central Committee in December 1980, is absolutely correct. Readjustment has enabled the major proportional relationships in our national economy to be well coordinated, and enabled the internal economic relationships between various industrial sectors to begin to develop in the orientation of rationalization. There have been three principal specific changes.

/First, there has been a marked break from the past practice of grasping grain production alone at the expense of diversified occupations./ According to the natural characteristics of production, internal relationships of interdependence and mutual promotion exist in the growing of various agricultural crops. However, over many years, the grasping of grain production was one-sidedly stressed at the expense of developing industrial crops. The rational composition of various crops

was artificially disrupted, so that agricultural production was seriously checked. This point can be illustrated by several figures about production. During the 11 years from 1966 to 1976, the average annual rates of growth in output were 3.6 percent for grain, 0.9 percent for oil-bearing crops and 2.2 percent for sugar crops, while the output of cotton dropped at an average annual rate of 0.2 percent. That is, during this period, the rates of growth in the output of cotton, oils and sugar were much lower than that of grain. Consequently, not only were the quantities of commodities available for social consumption drastically reduced, but the economic income of the collective and the individual was directly affected. Over the past several years, various localities have been ceaselessly rectifying "leftist" influence, have paid attention to bringing their own local natural advantages into play, have readjusted the distribution of agricultural crops in the light of their local conditions, have vigorously developed diversified occupations, and have opened up many new types of production. Over the past 4 years the total area of land in our country for growing industrial crops has increased by over 70 million mu, so that the proportions of various crops have changed. In the total area of land for growing grain crops and industrial crops, the proportion of land for industrial crops has increased from 10.2 percent in 1977 to 13.7 percent. Because the composition of crops has become more rational, marked economic results have been achieved in agricultural production. During the 4 years from 1978 to 1981, the average annual growth in output was 3.5 percent or more than 21 billion jin for grain, 8.6 percent or 400 million jin for cotton, 22.1 percent or more than 2.4 billion jin for oil-bearing crops, and 12.2 percent or more than 5.9 billion jin for sugar crops. Thus, an overall development in the production of grain, cotton, oil-bearing crops and sugar crops has been achieved.

/Second, there has been a marked break from the past situation of overdevelopment in heavy industry and underdevelopment in light industry./ The anomalous economic structure comprising the overdeveloped heavy industry and the underdeveloped light industry was formed over many years. The main defect of this structure was that the output of products of some heavy industrial sectors which serve heavy industry itself exceeded the demand for these products. Consequently, the stocks of steel products, machinery and electrical products increased year after year, leading to excessive overstocking. However, the production of the means of livelihood could not satisfy the need for continuously improving the people's livelihood. To put an end to this situation, we have further readjusted the internal structure of industry over the past several years, in particular last year. The production of consumer goods has been vigorously developed. Readjustment has been carried out in two major areas. First, the composition of products has been readjusted. A number of existing industrial enterprises have begun to "produce light industrial products instead of heavy industrial products," "produce products for civil use instead of military goods," or "produce products in short supply instead of products in excessive supply." Some have begun to produce bicycles, sewing machines, clocks and watches, radios, tape recorders, washing machines, cameras, electric meters and so on, as well as fittings for these products. Some have begun to produce foods such as high quality liquors, meat products, egg products, bread, sweets, cakes, and so on. Production of goods by heavy industry according to needs has been stressed. Many enterprises have changed the types of products they usually produce. For example, iron and steel works vigorously produce materials and raw materials in short supply which are needed by light industry, such as thin

plates, strip steel, angle steel, and so on. Machine-building factories supply light industry with various categories of equipment, such as those for making sewing machine parts, brewing beer, baking bread, and so on. Second, the proportions of the investment in light industry and investment in heavy industry were readjusted. Over the past several years, investment in the capital construction of light industry and the textile industry has increased, the proportion of such investment in the total investment having risen from 5.7 percent in 1978 to 10.4 percent in 1981, so that the production capacity of light industry and the textile industry has expanded rapidly. Over the past 3 years, the number of cotton yarn spindles increased by an annual average of 570,000, the total growth being 130 percent of the number of spindles in 1978; and the average annual growth in the production capacity of other sectors is 60,000 tons for synthetic fiber, 80,000 tons for paper, and 400,000 tons for crude salt, the total growth in each case amounting to more than 100 percent of the production capacity in 1978. The readjustment has brought about great changes in the hitherto irrational internal structure of industry, and has promoted the rapid development of light industry. The value of our country's light industrial output grew by 13.2 percent during the first 11 months last year, on top of the average annual growth of 13.9 percent for the 2 preceding years. A marked characteristic of last year's further economic readjustment is that light industry generally developed rapidly in various localities. In localities where heavy industry has been of greater relative importance, light industry was boosted so that it could catch up with the former. For example, in Hubei, it grew by 19.6 percent; in Heilongjiang, 15.2 percent; in Liaoning, 14.8 percent; and in Sichuan, 11.9 percent. In localities where light industry has been of greater relative importance, the development of light industry was even more rapid. For example, the growth in output was 20.7 percent for Zhejiang, 17.6 percent for Guangxi, and more than 15 percent for Guangdong, Shandong and Jiangsu. Thus, the proportion of light industrial output in the total value of industrial output continued to increase, from 43.1 percent in 1978 to 47.1 percent in 1980, and to 51 percent in the first 11 months of 1981. Thus, light industry has surpassed heavy industry in relative importance, for the first time since 1970.

/Third, there has been a marked break from the past practice of stressing accumulation at the expense of consumption./ As early as in 1957, Comrade Chen Yun said: "The scale of construction must be compatible with our national financial and material resources. Whether such compatibility is attained or not determines whether the economy is stable or not. For such a large country as ours with a population of 600 million, economic stability is extremely important." Practice has proved that Comrade Chen Yun's view is correct. Last year, while we achieved success in reducing the scale of construction, we further readjusted the orientation in the use of investment funds. The investment in the construction of facilities for the people's livelihood, such as cultural, educational and medical and health facilities, urban public utilities, workers' quarters and so on, amounted to a total of 47 billion yuan over the past 3 years, an increase of 38.7 billion yuan over 1978. The investment in nonproduction construction, as a percentage of the total investment, increased from 17.4 percent in 1978 to 33.7 percent in 1980, and further to an estimated 40 percent in 1981. Meanwhile, to improve the livelihood of the people in urban and rural areas, in using that part of the national income at its disposal, the state tried its best to reduce accumulation funds and increase consumption funds. From 1979 to 1981, the

cumulative total increase in the amount of residents' personal consumption funds reached 72.7 billion yuan, exceeding the total increase during the decade of the "great cultural revolution." The proportion of consumption in the national income rose from 63.3 percent in 1978 to about 70 percent in 1981. To sum up, the readjustment not only brought about a great improvement in the relationship between "bone" and "flesh," but also rectified to a very great extent the grave disproportion between accumulation and consumption.

Advance Steadily in a Down-to-Earth Manner

Historical experience has told us that a fine situation is not come by easily. We must remain cool-headed when we enjoy success. We should note that there are still many economic problems. For example, the increase in the supply of commodities still falls short of the increase in social purchasing power; the overstocking of the products of some enterprises has become more serious; labor productivity has fallen; the amount of profits turned over to the state has decreased; and so on. To consolidate and develop our achievement in economic stabilization in the coming several years, we must steadfastly continue to implement the policy of readjustment, restructuring, reorganization and upgrading; we must strive for good economic effect vigorously and in a down-to-earth manner; we must try all means to tap potentials; and we must vigorously strive for the maintenance of a definite rate of national economic development.

/First, vigorously develop agricultural production./ To rely on correct policies and science is still an important way to quicken the development of agricultural production. We must further perfect and improve various systems of responsibility in production, develop many new types of production, conscientiously do a good job of growing crops on our existing farmland, and strive to raise the output per unit area of cultivated land. Moreover, we must fully utilize our vast mountainous land, prairies, rivers, lakes and ponds. We must appropriately use various tracts of land for farming, forestry, animal husbandry, sideline occupations or fish raising according to the natural characteristics of different regions. While ensuring a steady development in grain production, we must simultaneously vigorously develop diversified occupations involving the growing of industrial crops. We must thus strive for a rapid and overall development of agriculture.

/Second, we must continue to bring about a balanced relationship between light industry and heavy industry and enable them to grow steadily./ We must continue to vigorously develop the production of superior-quality, marketable consumer goods. According to the experience of certain localities, the materials and raw materials needed by light industry and the textile industry can be made available in two ways. First, we can build raw material bases. For example, in Zhejiang, a number of raw material bases have been established, which produce mulberry and silkworm, oranges and tangerines, timber, bamboo, medicinal herbs, fruits, mushrooms, dairy cattle, and so on. The bases are subject to unified planning. Enterprises and rural communes and production teams establish direct links in running these bases, adhere to the principle of equality and mutual benefits, and draw up economic contracts. Second, materials and raw materials can be imported. For example, the Hubei provincial authorities took a part of the foreign exchange owned by local authorities to import synthetic fibers, nylon fabrics, cattlehide,

synthetic leather, butter, sheep's fat, rattan, and so on, so that the output of light industry and the textile industry has greatly increased. While stressing the development of light industrial production, we must simultaneously continue to readjust the orientation of service of heavy industry, so that heavy industry can more satisfactorily provide technological equipment, motive power, materials and raw materials to serve agriculture and light industry and to facilitate the technological transformation of our national economy, as well as provide larger quantities of superior-quality products for export. If we satisfactorily coordinate the two major categories of production, the production of the means of production and the production of means of livelihood will promote each other and develop steadily.

/Third, conscientiously strive to reorganize the enterprises./ First, we must reorganize and establish leading groups. The key aim of reorganizing the enterprises to overcome the slackness and weakness of a number of leading groups and to heighten spirits. If this problem is satisfactorily solved, other problems that call for reorganizing the enterprises will also be easily solved. Second, labor organization must be rectified. At present, on one hand, the enterprises generally have an excessive number of workers, and on another, the workers' technical quality is rather poor. This is a serious obstacle to the improvement of economic effect. We must organize production according to fixed production quotas and fixed numbers of workers. We must train those workers in excess of the required numbers in a planned way. This is an important measure in developing workers' mental abilities and training qualified personnel. This can help eliminate the phenomenon of excessive numbers of workers in the enterprises having little work to do, and can also help upgrade the staff and workers' standards of political ideology, scientific knowledge, education, professional skills and management, so that the enterprises can carry out production and construction with mastery of modern technology. Third, the composition of enterprises must be rectified. Those enterprises which consume overly large quantities of materials, produce poor quality products, carry out duplicate production and always incur losses must close or discontinue production. Then, our country's limited supply of energy resources, materials and raw materials can be used in a more concentrated way by satisfactorily running enterprises which yield good results. Fourth, economic discipline must be strengthened. We must pool our strength to do a good job of grasping the financial management of the several thousand large and medium-sized enterprises in our country, put an end to "evasion, fraud, leakage of money and omissions" in finance, make financial and economic discipline a solemn matter, and strengthen supervision.

/Fourth, we must conscientiously carry out technological transformation./ By firmly and satisfactorily grasping the technological transformation of our existing enterprises and the renewal of their equipment, we can put an end to the lack of tasks for heavy industry, bring about an increase in production capacity, and relatively quickly raise the technological standard of all industries in production. This is an important way of maintaining a definite rate of development of our country's economy, which yields quick results in producing a large output with a small input.

NATIONAL POLICY AND ISSUES

'JINGJI GUANLI' ON IMPROVING ECONOMIC EFFECT

HK050837 Beijing JINGJI GUANLI in Chinese No 1, 15 Jan 82 pp 4-9

[Article by Fang Weizhong [2075 4850 0022]: "Improve Economic Effect With All Might"--note passages within slantlines denote boldface type]

[Text] In accordance with the report of Premier Zhao Ziyang, the fourth session of the Fifth NPC set the improvement of the economic effect as the basic point of departure for tackling all economic problems and as the core of the problem and the fundamental guiding ideology of economic construction. This is a change of fundamental importance and significant progress in economic work.

Historical Experience and Lessons

For a long time, we have taken the degree of speed as the main criterion to check the quality of economic work and taken the growth rate as the core of the problem of economic construction. A formulation of achieving greater, better, faster and more economical results was raised focused on the word "fast." Undue emphasis was put on speed and being fast to the neglect of economic effect. For this reason, for a considerable period of time, the growth rate of the economy has not been slow, but the economic strength of the country and the living standards of the people have not been properly raised and in reality the people have derived fairly little benefits.

The growth rates of some major overall indices between 1953 and 1980 are listed as follows:

The total value of fixed assets of state-run enterprises increased by 2,000 percent;

The use of circulating funds by the state-run enterprises registered an increase of 1,800 percent;

The total social products increased by 720 percent;

The national income registered a 420 percent increase;

The average actual level of consumption of the people rose by 100 percent.

From these overall figures, we can see that since liberation, through the concerted efforts of the people throughout the nation, the fixed assets of and circulating funds used by the state-run enterprises attached to the various departments of our country, the total social product of industry, agriculture, the building industry, transportation and commerce, the national income and the average actual level of consumption of the urban and rural population calculated by taking price fluctuation into account have all increased, and the increase rates for fixed assets and total social product have been quite fast. At the same time, we can also see that the growth rate of the total social product is far below the growth rates of the fixed assets and circulating funds, and the growth rate of the national income is substantially lower than that of the total social product, and moreover, the growth rate of the actual level of consumption of the people is far lower than that of the national income. On the one hand, there are high indices and a high accumulation rate and on the other hand there are low efficiency and low consumption.

The reasons for this state of affairs are many and varied. Formerly we were economically backward and for many years since liberation there have been threats and even aggression to alien hostile forces, so we have had to try our utmost to increase accumulation and investments in capital construction and speed up economic growth in order to strengthen national defense. Our country has a big and rapidly growing population so that a fair measure of the annually added social wealth has to be used to meet the needs of the additional population, which substantially affects the improvement of the people's livelihood. We still lack experience in socialist construction. Owing to prolonged blockade by imperialism and social imperialism, we have been seriously obstructed from absorbing and utilizing the advanced technology and the operational and managerial experience of foreign countries. The constant launching of political movements for long years, and in particular the decade-long political upheaval of the "great cultural revolution" has caused the normal development of the economy to suffer extreme attacks and setbacks. We must make an objective analysis and a practical and realistic appraisal of all this.

However, the mistakes in the economic work itself made in our guiding ideology and guidelines are primary. One-sided pursuit of high speed, expectations for easy success, impetuosity and rashness plus the irrational economic system have given rise to the prolonged serious tendencies of not paying attention to the costs, profits and losses as well as the results. Besides, this practice was deep-rooted. Some conspicuous manifestations can be cited as follows:

1. A high speed and high quotas were mostly fixed beforehand and then all the quarters and sides concerned were urged to fulfill them with an effort, instead of defining the growth rate of the economy by making a comprehensive analysis and overall balance in accordance with the objective possibilities. Moreover, the main indication of speed was output and value. In order to seek output and value, the production units more often than not paid no attention to product quality and varieties, to the marketability of their products or to the price they had paid.

2. In industrial development, one-sided stress was put on the development of heavy industrial production. Excessively large quantities of investments, raw

and semifinished materials, fuels and power as well as transport capacity were poured into heavy industry, thus affecting either the growth of the production of consumer goods or the increase in the residents' purchasing power. As a result, the people did not get the intended material benefits.

3. In industrial construction, stress was laid on the argument that capital construction is the only source of reproduction, on spreading construction projects all over the place and on urging that various provinces, municipalities and regions set up self-contained systems, thus resulting in the colossal scope of capital construction and excessive duplication both in construction and production. Furthermore, no necessary renewal of equipment or technical transformation were carried out among the existing enterprises, thus causing great waste in construction funds.

4. In agricultural development, undue emphasis was put on the production of grain to the neglect of the development of industrial crops and a diversified economy. Quite a few localities even disrupted the balance of natural ecology with the result that there have been tremendous wastage of land and expertise.

5. The enterprise management system was not perfect. In terms of the employment of people, quite a number of enterprises have no fixed number of staff and workers, no fixed quota for the amount of raw and semifinished materials as well as fuel and power, and no criterion to strictly check quality. The producers did not have an adequate understanding of market demands. Quite a few enterprises did not even have original records, primary statistics and necessary metrological facilities. In short, there was no strict business accounting in the whole activities of production and operation.

6. Capital construction projects used to be started hurriedly without making any full technical and economic deliberations beforehand, and they had to be constructed while drawing up and revising their designs, thus dragging out the construction cycles and increasing the construction costs and even resulting in discontinuing the projects halfway or in the failure to put them into normal commission after completion.

7. There was no fixed quota for the products and semifinished products in stock and both budgeting and spending were engaged in liberally. Excessive links of circulation and the installation of storehouses at each level have caused large quantities of funds to lie idle in the circulation field.

8. Funds were used in many aspects without compensation and people would be reimbursed for what they spent. No time limit for the investment recovery was ever made by the state in allocating funds for investment. No interest or fairly low interest, if any, would be paid for the use of floating funds. In a word, people had a blunted understanding of "interest" and even had not the slightest idea about it. Everybody ate out of a "big pot."

9. The use of labor force in the enterprises was put under the unified distribution of the labor departments instead of using labor force in accordance with the principle of priority. Owing to the lack of strict criteria to check on labor

discipline, no distinction was made between good and bad. There existed serious egalitarianism in the wage and rewards systems. Everybody ate with "iron rice bowls."

10. The training of talented people, the development of scientific and technological research and the popularization and application of research findings have been neglected for a long time. Besides, the scientific and technological research was not closely integrated with production.

Of course, what we have cited above are not the only indications of not paying attention to economic effect. There are still more that can be cited. Over the past years, and particularly since the 3d plenary session of the 11th CCP Central Committee, we have gained a gradual understanding of these questions and begun to carry out some reforms and achieved some tangible results. Based on the experience accumulated in the past three decades and more, we must make some substantial changes in our guiding ideology and guidelines, an important one being to change from taking speed as the crux of the problem of economic construction to taking economic effect as the crux of the problem. This does not mean that no attention will be paid any longer to speed and no importance will be attached any longer to speed. However, the aim is to thoroughly correct the tendency to one-sidedly concentrate on speed to the neglect of economic effect and to actually realize a growth rate that can be attained if we exert efforts as a prerequisite for ensuring the economic effect. Only in so doing can a real increase in the economic development be ensured rather than a false increase. Ensuring this kind of increase will provide the state, the enterprises and the people with concrete and intended material benefits. With the changed guidelines, we must blaze a new trail that will lead to the development of the economy at a realistic rate, with better economic effect and more benefits for the people. Therefore, this change is a strategic change of fundamental and far-reaching significance.

The Actual Needs

After experiencing 10 years of destruction, our economy was confronted with extremely serious difficulties. Owing to the failure to correct the shortcomings and mistakes in our economic work during the first 2 years after the smashing of the "gang of four," we were still overanxious to make achievements and raised some excessively high and unrealistic slogans and targets, thus adding some fresh difficulties to both finance and the economy. Since the 3d plenary session of the 11th CCP Central Committee, after which the CCP Central Committee and the State Council formulated the policy of readjustment, restructuring, reorganization and upgrading, and especially since the central work conference in December 1980 after which the policy of further readjustment was put forth, the economic situation has taken a gradual turn for the better. An unprecedentedly flourishing and fine situation has emerged in agriculture. The production of light industry has increased by a big margin and initial achievements have been made in the readjustment of the service orientation of heavy industry. The scope of capital construction has been considerably curtailed. Market commodity supplies have increased and remarkable improvements in the people's livelihood have been achieved.

However, it is impossible to completely overcome within a short period of time the economic difficulties which have been shaped over many years. At present, in the national economy there still exist the following problems:

First, the financial revenues have increased at a fairly slow pace but the factors for increasing expenditures are many. For this reason, maintaining a basic balance between revenues and expenditures in finance remains an arduous task.

Second, limited by the financial resources, some projects which are needed urgently at present have been invested in insufficiently, and under these circumstances, it will be impossible to substantially increase the investment in capital construction and impossible to make too many arrangements for the projects which are needed for long-term development.

Third, since it is impossible to considerably increase the output of energy all at once in the near future, the sustainment of energy supply cannot be relaxed. This state of affairs will interfere with the growth rate of the whole industrial production to a great extent.

Fourth, the growth of the supply of consumer goods has failed to keep up with the increase in the social purchasing power. More strenuous efforts are still needed to enable us to maintain the basic stability of market commodity prices.

These problems show that quite substantial achievements have been made and the latent dangers in the national economy have somewhat eased up, but they have not all been completely eliminated.

To surmount these difficulties, the CCP Central Committee and the State Council have formulated a series of correct principles and have adopted a series of effective measures. These principles and measures can be summed up into one point, namely, to improve the economic effect with all might.

Excessively poor economic effect is an important root for the financial difficulties and the lack of funds. The present national average profit rate of funds of the state-run enterprises is far below the fairly good levels reached previously but the utilization rate of circulation funds is far above the fairly good levels reached previously. In addition, the fairly good levels reached previously are far from the levels of the economically advanced countries. Taking the country as a whole, on the current scale of production, if the profit rate of fixed assets is increased by 1 percent, an additional profit of 4 billion yuan can be added to the state's revenues; if the utilization rate of circulation funds is decreased by 1 percent, that will mean a saving of 3 billion yuan. This shows there are still enormous potentials for increasing revenue and reducing expenditure. The investment in capital construction seems to be insufficient in every aspect, but the effective use of investment is still relatively poor; the construction cycles of the capital construction projects are rather long; construction costs are high and they cannot even give play to their role after completion. The waste in this respect is really amazing. Calculated in terms of the present scope of construction, a 1-year extension of the construction cycles means an increase of more than 5 billion yuan in the expenditure on builders' wages, because the interference with the commissioning time of production projects means

creating profit and taxes of 5 billion yuan less for the state. Therefore, only when careful calculation and strict budgeting is practiced in every field, waste is overcome and the economic effect of the use of funds is improved, can the state's financial revenues be considerably increased and the financial difficulties be greatly improved.

The present lack of energy is the result of the slow increase in production capacity but what is more important is the result of the excessive waste in the consumption of energy. The annual output of crude oil of our country is 100 million tons. We are one of the big oil-producing countries in the world. But the value China derives from the 100 million tons of crude oil is far less than in industrially developed countries. The total annual output of all energy including the output of coal and hydroelectricity converted into standard fuel, is 600 million tons, a figure ranking fourth in the world. However, the value derived from this sum is far less than in many other countries. The present level of the national income created in terms of energy per unit is also far less than was ever reached by China in the past. Therefore, the solution to the lack of energy and for the acceleration of the industrial growth rate lies in raising the economic effect of energy utilization.

There is also a problem concerning the economic effect in the production and supply of consumer goods. Quite a few production enterprises and marketing units have not conducted investigations and study of the conditions of market demand and the tendencies of the development of the market, thus resulting in dislocation between production and sales. On the one hand, the supply of some commodities falls short of demand, and on the other hand, large amounts of certain commodities are overstocked. The excessively numerous intermediate links in commodity circulation have not only affected the turnover of funds but also increased the sales costs. This is also not economical and rational. Efforts to improve the work in these fields and to raise the economic effect can substantially alleviate the contradiction between market supply and demand and contribute to the stability of market commodity prices.

That is to say, the crux of the problem in overcoming the present economic difficulties is to improve the economic effect with all might. To regain the initiative in China's economic activities and to strive for a fundamental turn for the better in the state's financial and economic situation depends, in the final analysis, on our efforts to improve the economic effect and the fruits of our efforts.

Ways to Improve Economic Effect

The improvement of economic effect is a general subject which embraces a wide range of issues. It is necessary to adopt a series of countermeasures around this center.

In terms of the strategic decisions of economic construction, it is necessary to take the improvement of economic problems and to correctly handle the relationship between speed and effect; it is necessary to correctly arrange the setup of production, the product mix, the technological makeup, the organizational structure of enterprises and the economic layout of the national economy so as to rationalize them, and particularly to correctly arrange the interrelations between the two

major categories of the means of production and the means of livelihood so as to enable them to coordinate and promote each other; it is necessary to correctly handle the relations between the expansion of reproduction by intension and by extension, to gradually change the practice of putting extension first into that of putting intension first, not to excessively set up new factories and aimlessly expand old factories but mainly to bring into play the role of existing enterprises instead; it is necessary to correctly handle the relations between economic construction and cultural construction and to try hard to develop scientific research and the educational cause around the needs of economic construction; it is necessary to correctly handle the proportionate relations between accumulation and consumption and not to extend accumulation at the expense of the people's livelihood on the one hand and to strive to maintain a certain accumulation rate to ensure a sustained increase in production on the other hand; it is necessary to correctly handle the relations between the domestic and international markets and to rely chiefly on the vast domestic market and at the same time to make full use of the international market, using our strong points to overcome our weaknesses; it is necessary to reform the economic system in an active and steady way and to put an end to the drawbacks of eating out of a "big pot" and to fully and effectively mobilize the enthusiasm of all quarters and sides. Whether in the long-term or annual plans, it is essential to proceed from reality, take effective steps to properly find solutions to the problems in these fields so that all economic activities can get the maximum results at the minimum expense, thus achieving the greatest economic effect.

In terms of the present plans of work, from 1982 on it is necessary to firmly grasp the work in the following fields in a practical way:

/First, comprehensively consolidate enterprises./

The consolidation of enterprises has been raised for some years and some achievements have been made, but generally speaking, little progress has been made and few results achieved. The management of a considerable number of enterprises is still in confusion. They lack a strict responsibility system and have overlapping organizations crammed full of superfluous personnel, lax labor discipline and financial discipline. All this has resulted in low work efficiency, high consumption, low quality and high costs. What is more, many enterprises have been operating at a loss. A small minority of enterprises have even practiced fraud, engaged in embezzlement, cheated the state and infringed upon the overall interests. An enterprise is the basic unit of economic activities. With imperfect enterprise management, the improvement of economic effect will get bogged down in idle talk.

The State Council has made a decision to carry out, from 1982 on, an all-round and orderly readjustment among all enterprises and complete it by groups in 2 or 3 years. First the enterprises of special importance to the national economy should be consolidated well. The contents of consolidation include first, consolidating and perfecting the economic responsibility system, overcoming flabbiness and weakness in the leadership and the phenomena in which no clear obligations are imposed, defining duties incumbent on the enterprises to the state and the duties incumbent on the staff and workers to the enterprises and establishing and perfecting various regulations and rules; second, consolidating labor organization and arranging production strictly according to a fixed number of workers and

fixed quotas; third, consolidating and strengthening work discipline, and giving rewards to people who do good work and taking disciplinary sanctions against those who violate work discipline and do shoddy work and being clear and fair in meting out rewards and penalties; fourth, strengthening financial discipline and enforcing law and discipline on people violating financial discipline. The key to running an enterprise well lies in leadership. For this reason, it is necessary first to do a good job in the leading bodies and then to consolidate the ranks of staff and workers and furthermore to perfect and strengthen the enterprises' grassroots work and various primary work including records, statistics and metrology in a solid way. This readjustment should be carried out in a down-to-earth manner rather than in a perfunctory way.

/Second, reorganize and readjust enterprises./

There are now too many enterprises throughout the nation and excessive duplication in production. The energy and raw and semifinished materials as well as the volume of transport for materials needed according to the original intended requirements of the enterprises have substantially exceeded the existing level of the production of energy and raw and semifinished materials and also surpassed the possibilities of the existing transport capacity. In addition, quite a number of enterprises have turned out low-quality and unmarketable products with high consumption and great waste. This has given rise to two consequences: First, a considerable number of enterprises have an insufficient supply of energy and some raw and semifinished materials and are therefore underfed, and production is an off and on affair. This has resulted in an excessive waste of energy. Second, the enterprises which turn out low-quality products with high consumption or have long been operating at a loss are still keeping their operation going. This has not only wasted material and financial resources but also increased the burden of the state's finance. Besides, the enterprises which turn out high-quality products with low consumption and whose products are needed by society, or have been producing large profits cannot operate at full steam owing to the lack of supply of energy and raw and semifinished materials. This has interfered with both the increase in the supply of materials and commodities and the increase in the state's financial revenue. A lot of enterprises are "large and complete" and "small and complete." This has also seriously increased the consumption of materials and reduced labor production efficiency. If no efforts are made to put an end to this state of affairs, the improvement of economic effect will come to nothing.

Therefore, the State Council has decided that the consolidation of an enterprise should go hand in hand with its readjustment and restructuring. First of all, with regard to enterprises whose products are in excessive supply and of very poor quality and whose consumption of energy and raw and semifinished materials is too high, or which have incurred losses over the years and caused serious pollution, we should unhesitatingly apply the policy of closing, suspending, merging and shifting (to other types of production) on the merits of each case. The state will then be able to allocate its limited energy and raw and semifinished materials to enterprises which can turn out fine quality products with low consumption rates and better economic effect. The socialist economy should protect the advanced and not the backward. Suspending the operation of some backward enterprises to ensure the normal operation of the advanced enterprises may, in terms of the partial interests, reduce some products and revenues but in terms of the

overall interests, will surely increase the total amount of social products and the state's financial revenue. This is therefore a correct and important measure conducive to the state's economic development. We must realize the necessity and importance of doing so and make concerted efforts to do the work well. If the work in consolidation and organization is done well, the technical transformation of the enterprises can be carried out in a more planned and smooth way.

/Third, repeatedly examine capital construction projects and raise the returns on investment./

In order to do a better job in the technical transformation of existing enterprises, bring into play their role and raise the effective utilization of investment, it is imperative to repeatedly examine capital construction projects under construction. Construction of those projects which are not badly needed and have no fixed conditions for construction or cannot ensure normal production after completion must be resolutely suspended and their supply of investment and materials must be withdrawn. With regard to the projects for which construction is a must, it is necessary to examine and fix a new time limit on construction, to limit the investment needed by their construction and to define clear requirements and a specified time for the completion of the projects. As for new construction projects, it is first of all essential to make technical and economic deliberations and do a proper job of the preparatory work of the construction and set up a strict responsibility system in such fields as examination and approval, design, work method, material supply and delivery checks prior to acceptance of completed projects. It is necessary to further carry forward the method of replacing the state's financial allocations for capital construction projects by bank loans so that the construction units can strengthen their business accounting and raise their returns on investment. So long as better economic effect can be achieved through the technical transformation of existing enterprises, it is not encouraged to start new projects.

/Fourth, reduce circulation funds./

Effective efforts should be made to put an end to the phenomena in which there are numerous intermediate links in circulation and large amounts of goods in stock and the turnover of funds is slow, and to curtail the excessive use of circulation funds. Combined with the consolidation work, all enterprises should check and ratify anew a rational amount of circulation funds for use by enterprises. It is necessary to use the economic levers and necessary administrative measures to urge the enterprises to make earnest efforts to strictly comply with various fixed quotas.

/Fifth, simplify upper-level organization, strengthen economic legislation./

It is imperative to clearly define the responsibilities and limits of power of the various departments and the powers and duties delegated to functionaries, and to alter the low efficiency resulting from overlapping and overstaffed organizations with their multi-tiered departments crammed full of superfluous personnel and deputy and nominal chiefs who engage in haggling and passing the buck. It is essential to formulate laws and regulations covering the administrative and economic fields and to set up economic tribunals at various levels and use necessary legal measures to ensure that the economic order and economic interests will not be infringed upon.

/Sixth, strengthen the training of cadres, constantly raise skills to organize socialized mass production and to carry out construction of modernization./

The economic system of eating out of a "big pot" we have practiced for long years has caused many comrades to lack the sense of business accounting and to become accustomed to using administrative measures rather than economic levers and economic measures in running the economy. To really manage to raise the economic effect, it is imperative to strengthen study by cadres, to raise the economic theoretical level and scientific and technical level and improve their knowledge of managing socialized mass production in a continuous, practical and effective way and to gradually reform the enterprise management institutions which hamper the improvement of the economic effect and the institutions in such fields as planning, statistics, finance, taxation, pricing, banking, commerce, goods and materials, foreign trade, labor and wages.

Ours is a socialist country. The means of production are owned publicly by the society. With the practice of a planned economy, it is entirely possible to create a better economic effect than in the capitalist countries. However, in the past we lacked experience, followed a wrong path and in addition, had protracted political instability and as a result, the superiority of the socialist system was far from able to play its part and instead of being excellent, the economic effect failed to maintain the fairly good levels previously reached in some fields. Obviously, this state of affairs is not caused by the socialist system but is the penalty of the deviations made in the guiding ideology in our economic work and some specific principles and policies. So long as we adhere to the orientation defined by the fourth session of the Fifth NPC, resolutely carry out the policy of readjustment, restructuring, reorganization and upgrading, seek truth from facts, proceed in an orderly way and step by step and do our work in a down-to-earth manner, we will surely be able to find out a path suited to China's national condition with better economic effect, a path which enables the superiority of the socialist system to play its part in an orderly and full way, brings about a new period of economic renewal to China's economy after a period of time and helps its economy enter the ranks of economically fairly developed countries.

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NATIONAL POLICY AND ISSUES

'JINGJI GUANLI' ON LAND CONSTRUCTION, MANAGEMENT

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[Article by Yu Guangyuan [0061 0342 6678]: "Land Construction, Management and Research"]

[Text]

I

Land construction includes "exploitation" [kaifa], "utilization" [liyong], "protection" [baohu], and "transformation" [gaizao] eight characters in all.

"Exploitation" and "utilization" are meant in the perspective of bringing into play the use of a nation's land. By "exploitation," we mean bringing into play the use of that portion of land which up to now has not been brought into play. By "utilization," we mean bringing further into play the use of the land which has been exploited. Exploitation is, in fact, utilization. However, at a time when the use of our vast land has not been brought into play or has been done so poorly, it is now necessary, in my opinion, to give prominence to the word "exploitation" and to link it with "utilization." At the same time, owing to the highly dense population in the exploited land, giving full play to the use of land must become an important principle for the development strategy for China's economy. For this purpose, it is also necessary to put stress on the word "utilization."

"Protection" and "transformation" refer to the fact that we must "do a lot" of work in regard to land conditions. By "protection," we mean preventing the land conditions from detrimentally changing from socialist construction or minimizing any unfavorable change which may occur. By "transformation," we mean making the land conditions better and trying hard to establish a more rational ecological balance.

China has an area of about 9.6 million kilometers of land. Its southeastern region has a developed economy, a highly dense population and 18,000 kilometers continental coastline (added to the coastline of the islands, total coastline equals 32,000 kilometers). In the western region and the greater part of the northern region, the economy is backward and the land is sparsely populated. If we draw a broken line from Mohe Prefecture, Heilongjiang Province, southwards to Chifeng Prefecture, Nei Monggol, then southwestwards through the Changjiakou area of Henan Province to Yulin Prefecture, Shaanxi Province, and then from the tip of the northern part of Lanzhou, Gansu Province, again southwards to

the southwestern region of Sichuan Province and then again westwards to the southeastern region of Xizang (Tibet), the whole land throughout the country can be divided into two parts: The southeastern and northwestern regions on the one hand and the Qinghai-Xizang regions on the other hand. After being divided, the two parts of land are basically equal in area. The population of the former constitutes 95 percent of the total population of the country and that of the latter accounts for the remaining 5 percent. The cultivated land of the former makes up 90 percent of the total cultivated land of the country and that of the latter occupies only 10 percent. We may look at this matter in this context: In the regions west of 105 degrees east longitude, there are three administrative regions, namely, Xinjiang, Xizang and Qinghai. The total area of their land constitutes almost 38 percent of the total area of the dry land of the country, but their population in 1980 accounted for 1.8 percent of the total population of the nation and their total value of industrial and agricultural output made up 1.3 percent of the total output value of the country. If the 105 degrees east longitude can be regarded as a straight line dividing our country into eastern and western parts which are mostly equal in area (the eastern part is a bit larger than the western part), then we can see the western region and the greater part of most of the northern region constitutes the major part of our land which has not been developed so far.

From this summarization, in the term "exploitation" which is commonly used in many countries, compared with other countries whose areas are comparatively small or with a small number of countries whose areas are large but whose land is highly developed, it is of unique importance for China to exploit its own land.

The western and northern regions which constitute nearly half of our area are extremely abundant in mineral resources. The layout of mineral resources in the world is uneven owing to various reasons, but generally speaking, the reserves of mineral resources and the area of a nation's land constitute a direct ratio. The broader the area of land is, the richer the underground mineral resources. However, the conditions of the earth's surface differ greatly because of the differences in climate and physical features. The reason why the northwestern region has become a region which is to be exploited is that it is an arid area, namely, an area which receives less than 250 mm of precipitation annually, and a semiarid area, namely, an area which receives 250 mm and 400 mm of precipitation annually. Solving the water shortage problem demands a prolonged and arduous struggle. The exploitation of water resources is of great importance to the exploitation of these areas and constitutes the crux of the problem. To exploit these areas, there will have to be greater labor forces entering these areas. This will mean an increase in the consumer-population and also means that more grain and meat will have to be produced by the localities and, what is more, the water resources must be ensured. At the same time, the exploitation of the underground mineral resources and the development of industry will also increase water consumption. Therefore, the exploitation and utilization of water resources is of primary importance to these regions. The Qinghai-Xizang region have become an area to be developed because it is part of frigid area. The exploitation of a highly frigid area has its own special difficult problems to solve.

There are also some areas which are to be exploited in the southeastern region of the country. Compared with the arid areas and highly frigid areas in the northwestern regions, these areas have more advantageous natural and economic conditions

because they belong to an area where China's southeast monsoon prevails. However, in doing a good job in the exploitation of these areas, there are also a series of problems awaiting solutions. Furthermore, these problems have not yet been solved satisfactorily to this day.

The southeastern developed region of the country is densely populated with a high utilization rate of land and intensive cultivation, however, there are still enormous potentials in terms of fully utilizing land resources.

In terms of the contrast between the flatlands and mountainous areas, even in the densely populated areas, generally speaking, the mountainous areas have not been fully utilized. In the plains, some places have a high degree of labor-intensive farming but in the mountainous areas, the degree of labor-intensive forestry is considerably low.

In the utilization of lakes and rivers, our country which is the largest area of freshwater lakes and rivers in the world, has noticeable strong points in aquatic products breeding. In some places, the per mu yield of labor-intensive aquatic products breeding is quite high, but this state of affairs is not popular. The per mu yield of aquatic products breeding of lakes and rivers is very uneven not only between different areas but also in the same areas.

In terms of the contrast between the mainland and seas and oceans, the utilization of China's seas and oceans is relatively poor. Land refers not only to dry land but also to the adjacent seas. Apart from territorial waters, there are still high seas that can be utilized. Compared with inland, the seas and oceans have not been sufficiently utilized due to economic and technical restrictions in the utilization of seas and oceans and because of shortcomings in our work.

Take the contrast between the large tracts of and scattered peices of land for instance. Under circumstances in which there are more people that usable land, every square chi of land must be treasured and even in the most densely populated areas, there are still scattered plots which can be utilized. Whether in front of or in back of the houses, on the riverbanks or by the roadsides, in the ridges or at the edges of the fields there are plots which can be utilized through careful calculation and strict budgeting. Many small bits add up. Many a little makes a lot. Utilizing land in this way will solve a big problem.

We can study the degree of the utilization of land from the other angles. In a country which has 18,000 kilometers continental coastline and many rivers carrying silt into the seas, the area of sea mud is astonishing. It is advisable to utilize this source of wealth. In short, there is still much room left for the utilization of the land in the developed areas in the southeastern region of the country.

Speaking on the "protection" of land, over the past 3 decades or more, we have done very little in this respect, and quite a few errors have been made in protecting forests, grasslands, lakes, mineral resources and other land sources, thus bringing about serious consequences. Because no metrological statistics were kept in the past, we are unable to show the degree of the damage done to the natural environment with statistics but from the punishment by nature we feel in everyday life, we can see the damage done to the natural environment is profound. It may be a

little late to reemphasize the protection of land which has been seriously damaged but it is still very necessary to make efforts in this regard. It is now necessary to lay stress on the protection of land. The environment must be investigated. In the future when we check the results of our work, the targets concerning the protection and transformation of land must be included in it so as to enable people throughout the nation to have a relatively profound understanding of the need to protect the land.

Let us again look at "transformation." The development of human society depends on the transformation of nature. The natural world bestows favors on mankind on the one hand, but brings people calamities on the other hand. For instance, the Changjiang River and the Huanghe River provide the conditions for the Chinese nation to thrive, but if they are not brought under control, floods cause tremendous damage. The legend of Yu gives evidence of this state of affairs.

When discussing the protection of land, ecological balance is invariably mentioned. Ecology is a branch of science concerned with the study of the interrelationship between different organisms and between organisms and their nonbiological environments. In my opinion, ecological balance can be divided into the natural ecological balance which has not been interfered with by human activities and the artificial ecological balance which has been interfered with by human activities. The ideal ecological balance must be an ecological balance which has been rationally transformed. Agriculture and animal husbandry are the product of human activities. In the relationship between crops, domestic animals and other living things on the one hand and nonbiological environments on the other hand, there are large numbers of factors of the artificial ecological balance. We can also see that during the 30 years or more after the founding of the PRC, in some places, the natural ecological balance has been disturbed and in fact, has been impossible to revive. For example, because of the construction of reservoirs and flood control works, the lower reaches of the Changjiang River have been impossible to revive to the natural ecological balance in which lakes and rivers were originally linked together. Under these circumstances, we have to try our best to establish a rational artificial ecological balance and create conditions favorable for agriculture, forestry, flood control, drought prevention, and so on.

It is not difficult for people to understand why a rational artificial ecological balance should be established but what is difficult is how to gain a clear idea of what kind of artificial ecological balance should be regarded as really "rational." This problem calls for proper study. In terms of the matter of ecological balance, we must have a prudent approach and never take any crude and hasty action. This is because the natural ecological balance has taken shape naturally over many years and we have still not had a clear idea of some of its ramifications. We are not too clear about what will be the results in changing the ecological balance. On this matter, if we fail to handle it properly, we are to be punished by nature. In reality, during the short 30 years or more since the founding of the PRC, we have been punished by nature quite a few times in this respect. Therefore, in the process of exploiting and utilizing our land, we had best be able to establish a rational artificial ecological balance and if we are unable to do so, at least we must not disturb the natural ecological balance. For this purpose, we must respect science, seriously study the problems concerning science and take a strict scientific approach to earnestly study this problem.

II

In order to do a good job in the work of exploiting, utilizing, protecting and transforming our land, it is imperative to tighten the state's management of land. Ours is a socialist country. Land is not owned privately but is the property of the state and the collective economy. The use of land must be in conformity with the interests of the socialist society. Under the socialist system, the overall interests of the society on the one hand and the partial interests and individual interests on the other hand are identical with the latter subordinated to the former. We must use the land in the most rational way. No one is allowed to dispose of land at will and violate the interests of the society. All localities, departments, units and individuals must submit to the state's management of land.

The scope of the state's management of land includes the changes in the land conditions, and in particular the large-scale changes in the land conditions; the state's requisition of land; the use of land by the collective enterprises and residents; the transfer of the right of possession of land; land prices; the prevention of land from being polluted and damaged, and so on and so forth. So in these fields, the state must enact laws and everybody has to abide by relevant state laws. Since the founding of the PRC, we have not enacted any laws in these fields. This is an indication that we have for many years not attached importance to both land management and socialist legality. The land system is a very important component part of the socialist system. We have not done well the work of land management. This is a weak link. It is imperative to remedy this weak link in the shortest possible time. The government is now concentrating its efforts on the matter of the enactment of land laws. We must do well the work of land management through the enactment of land laws.

To exercise management of land, it is necessary to have a powerful state organ. In our government structure there exists the problem of state organs being over-staffing and huge, but there not being a state organ in charge of land management. The "Provisional Regulations for Land Management in Heilongjiang Province" adopted by the Heilongjiang Provincial People's Congress in November 1981 stipulated that special organs were to be established in the various local people's governments at county level or above. After this was carried out, good results were incurred.

The work of land construction is operational in nature, so to speak. If we liken the whole socialist economy to a machine, then the implementation of the eight-character policy of readjustment, restructuring, reorganization and upgrading can be likened to the carrying out of the technical transformation of this machine and to the repair and improvement of this machine. Besides, land construction can be compared to the use of this machine for enhancing our cause and producing the products we need by putting labor and land resources into this machine. The state's management of land is just an important component for operating this machine.

III

Whether to directly carry out land construction or to tighten the state's management of land, it is necessary to conduct research on the land. Land construction

must be based on land research. All socialist undertakings must be put on a sound and scientific basis. Land construction needs scientific research all the more. In land construction, scientific research must be given full play.

Land research can be carried out from different perspectives. It is most important to study land problems from an economic perspective. The above-mentioned exploitation, utilization, protection and transformation of land is meant in terms of an economic perspective. A special branch of learning is taking shape from the study of land from an economic perspective and it is known as territorial economics. The study of land management to ensure the exploitation, utilization, protection and transformation of land belongs to the category of territorial economics. Besides from an economic perspective, the study of land can be carried out from other angles, namely, from a military perspective, and so on.

To carry out land research from an economic perspective, it is first of all necessary to gather preliminary data concerning land and draw up scientific descriptions and analyses of this data from an economic perspective, which includes land conditions in the various areas throughout the country; the mainland, islands, seas and oceans, both surface and underground, and climate and hydrology; both the natural conditions and the economic and social conditions; both the natural resources and natural disasters; both the relatively stable conditions and constantly changing conditions, and so on and so forth. Drawing up objective scientific descriptions and analyses of the various conditions of land is the primary aspect of economic land research. But this alone is far from enough. It is advisable to simultaneously study how to exploit, utilize, protect and transform our land, namely, to study various possible directions, to study various possible measures and to study the programs for land construction, and so on. Territorial economics is a comprehensive branch of learning which combines the natural sciences with the science of economics.

Economic land research is extensive both in scale and in scope. At present, the ranks which study the problems in this field are also big in number. However, compared with the needs, they seem to be fairly weak and they have been insufficiently organized. This state of affairs demands further development. Now the CCP and the state are attaching special importance to the work of exploiting, utilizing, protecting and transforming our land. There will surely be bright prospects for the study of territorial economics and it will make important contributions in the socialist construction cause.

CSO: 4006/332

NATIONAL POLICY AND ISSUES

XU DIXIN REBUTS PAUL SAMUELSON'S VIEW ON VALUE

HK050800 Shanghai SHIJIE JINGJI DAobao in Chinese No 71, 15 Feb 82 p 6

[Report: "Xu Dixin [6079 3321 2450]: On the Vitality of 'Das Kapital'"]

[Text] At the first national symposium on "Das Kapital," Xu Dixin, chairman of the Chinese "Das Kapital" Research Society, gave an opening speech entitled "On the Vitality of 'Das Kapital'." He rebutted the distortion of "Das Kapital" by Western bourgeois economists and mainly expounded the significance and function of Marx's monumental work in the development of socialism.

Xu Dixin said that Western economic circles' attack in "Das Kapital" had concentrated on crucial questions such as "value of labor," "surplus value" and so on. In rebutting Samuelson's view on value, Xu Dixin said: The moment Marx's "Das Kapital" was published, the bourgeoisie and its scholars adopted an attitude of negating and attacking it. This attack has continued up to the present. Therefore, we are forced to take up the gauntlet they have thrown.

Western bourgeois economists' attack on "Das Kapital" was first aimed at the theory of the value of labor. At present, the well-known American economist Mr Samuelson regards value as an unnecessary fabrication and the value of labor as a zigzag curve. He holds that by means of pure mathematical logic and with the analytical method of modern higher mathematics, Marx's system of the theory of value can be completely replaced. He also holds that the quality of labor cannot be the same. Men's labor differs from women's labor and it is impossible to fix a common standard for converting labor of different qualities.

Has the historical character of commodity production and commodity exchange not been completely negated since Samuelson wants to include all of man's social economic activities in the sphere of modern higher mathematics? Political economics is historical science and Mr Samuelson has used the negation of the historical character of commodity value as a weapon. What does this mean? He uses the argument that there are differences in quality of labor as grounds to negate the theory of the value of labor. Obviously this proves that he is distorting the theory of the value of labor.

Marx made it very clear in "Das Kapital" that labor which produces use value varies in quality and consequently cannot be compared. However, abstract labor which produces commodity value is the same in quality and consequently it can be

compared in quantity. Why has Mr Samuelson written off the principle that abstract labor has the same quality? What makes Mr Samuelson think that men's labor differs from women's labor as far as abstract labor is concerned? Mr Samuelson regards the concepts of "rarity" and "selection" as the decisive factors of value. What difference is there in essence between this and the psychology of the Austrian school? Can "rarity" and "selection" be separated from man's material production?

What Mr Samuelson said about balanced price was exactly the same as what Alfred Marshall said. Marshall, a self-styled adherent to the classical school considered each and every aspect of the so-called balanced price and regarded it as something extremely mysterious and abstruse, but he was in essence precisely undermining the price theory of the classical school. As we all know, commodity value is something essential whereas price is only its phenomenon. No matter how price departs from value, it is always governed by the latter. But Marshall used the so-called balanced price of a commodity to measure the value of a commodity. Was he not reversing the relationship between value and price? Was he not undermining the theory of value of the classical school? Since Mr Samuelson has accepted Marshall's view of "balanced price," it is of course not accidental for him to negate the theory of labor value and to recognize phenomenon and not essence.

In talking about the significance of "Das Kapital," Xu Dixin said, "To date, Marx's 'Das Kapital' has not only been the basic theory for analyzing modern capitalism but also the theoretical guide for socialist production and construction."

In his article entitled "On the Vitality of 'Das Kapital'," Xu dixin finally said that new things are continuously emerging and this requires that we avoid treating "Das Kapital" with a dogmatic attitude. He pointed out that only by guarding against the "leftist" and rightist trends and integrating theory with practice can we avoid going astray and can we make contributions to analyzing the new situation of international capitalism and to our country's socialist production and construction.

CSO: 4006/332

ECONOMIC MANAGEMENT

WANG ENMAO AT CONFERENCE ON IMPROVING QUALITY

HK191427 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 10 Feb 82

[Summary] The recent Xinjiang regional conference on quality work demanded: "All cadres, staff and workers on the industrial and communications front throughout the region should fully understand the importance of the issue of quality, exercise complete control over quality and improve the quality of their products. They should introduce new varieties, reduce the costs of their products and strive for the best economic effect in industrial and communications production."

The conference pointed out that last year the region achieved certain good results in quality work and a large number of advanced enterprises and groups in quality control emerged. The region produced a large number of quality and famous brand products. "However, judging from the whole region, quality work is still far from meeting the needs of the development of the situation. The most salient problem is that production increases but income does not increase and the economic results are poor. One of the important reasons is that the quality of products is poor."

The conference held: "This problem is not only an economic problem but also a political problem. It directly affects the speed and effect of economic construction." The conference demanded: "The cadres, staff members and workers on the industrial and communications front must firmly establish the idea that quality comes first. They must do everything possible to improve the quality of their products. Leading comrades of the party and the government in all places and departments must strengthen leadership over quality work and grasp it as a major work in economic construction. They must solve the specific problems in a unified way concerning quality work. They must raise all-round quality control work to a new level."

At the conclusion of the conference, responsible comrades of the regional CCP Committee, including Wang Enmao, Gu Jingsheng and Huang Luobin, awarded certificates and citations respectively to the units for the production of quality products and to the outstanding groups in quality control in the region in 1981. On behalf of the regional CCP Committee, Wang Enmao congratulated the units receiving the rewards on their achievements. Touhudi Shabier, vice chairman of the regional people's government, made the summing-up speech.

CSO: 4006/330

FINANCE AND BANKING

FOREIGN ENTERPRISE INCOME TAX RULES

OW221401 Beijing XINHUA Domestic Service in Chinese 0705 GMT 21 Feb 82

[Text] Beijing, 21 Feb (XINHUA)--By approval of the State Council, the Ministry of Finance today promulgated the "detailed rules and regulations for the implementation of the Income Tax Law of the People's Republic of China concerning foreign enterprises," the text of which follows.

Detailed Rules and Regulations for the Implementation of the Income Tax Law of the People's Republic of China Concerning Foreign Enterprises (Approved by the State Council on 17 February 1982 and Promulgated by the Ministry of Finance on 21 February 1982)

Article 1

The detailed rules and regulations are formulated in accordance with the provisions of Article 18 of the Income Tax Law of the People's Republic of China concerning foreign enterprises (hereinafter referred to as tax law for short).

Article 2

The establishments mentioned in Article 1 of the tax law refer to organizations, places or business agents established by foreign enterprises in China engaged in production or business operations.

The organizations and places mentioned in the previous section mainly include management organizations, branch organizations, representative organizations, factories, places where natural resources are being exploited and places where building, installation, assembling, exploration and other projects are being undertaken under contracts.

Article 3

Foreign enterprises and Chinese enterprises engaged in cooperative production or joint business operations should each pay their income taxes separately, unless otherwise stated.

Article 4

Income derived from production and business mentioned in Article 1 of the tax law means income of foreign enterprises from production and business operations in industry, mining, communications, transportation, agriculture, forestry, animal husbandry, fisheries, poultry farming, commerce, services and other trades.

Income derived from other sources mentioned in Article 1 of the tax law covers dividends, interest, income from lease or transfer of property, patent right, proprietary technology, ownership of trademarks, copyright and so forth and other nonoperating earnings.

Article 5

The taxable income for the purpose of levying local income tax mentioned in Article 4 of the tax law is the same as the taxable income mentioned in Article 3 of the tax law, both being the income calculated according to the formulas listed in Article 9 of these rules and regulations.

Article 6

Enterprises mentioned in section 2 of Article 4 of the tax law, which are engaged in small-scale production or business, or which have a low rate of profit, refer to foreign enterprises whose annual income is under 1 million yuan.

Article 7

Enterprises with a low rate of profit mentioned in Article 5 of the tax law include foreign enterprises engaged in low-profit deep-mining operations for coal resources.

Article 8

The tax year for foreign enterprises starts from 1 January and ends on 31 December on the Gregorian calendar.

Foreign enterprises which have difficulty in computing according to the tax year stipulated in the previous section may ask for approval by local tax offices to use the enterprises' own 12-month fiscal year for tax computation.

Article 9

The following are formulas for the computation of taxable incomes:

1. Industry:

- a. Cost of production of the year equals direct material used in production of the year plus direct wages plus manufacturing expenses;
- b. Cost of product of the year equals cost of production of the year plus inventory of semifinished and in-production products at the beginning of the year minus inventory of semifinished and in-production products at the end of the year;

c. Cost of sale of product equals cost of product of the year plus inventory of product at the beginning of the year minus inventory of product at the end of the year;

d. Net volume of sale of product equals total volume of sale of product minus (sales returns plus sales allowance);

e. Profit from sale of product equals net volume of sale of product minus cost of sale of product minus taxes on sales minus (selling expenses plus administrative expenses);

f. Amount of taxable income equals profit from sale of product plus profit from other operations plus nonoperating income minus nonoperating expenditure.

2. Commerce:

a. Net volume of sales equals total volume of sales minus (sales returns plus sales allowance);

b. Cost of sales equals inventory of merchandise at the beginning of the year plus (purchase of the year minus [purchase returned plus purchase discount] plus purchase expenses) minus inventory of merchandise at the end of the year;

c. Sales profit equals net volume of sales minus cost of sales minus sales tax minus (selling expenses plus overhead expenses);

d. Amount of taxable income equals sales profit plus profit from other operations plus nonoperating income minus nonoperating expenditure.

3. Service trades:

a. Net business income equals gross business income minus (business tax plus operating expenses plus overhead expenses);

b. Amount of taxable income equals net business income plus nonoperating income minus nonoperating expenditure.

4. Other lines of operation: Refer to the above-mentioned formulas for calculation.

Article 10

The following items shall not be counted as cost, expense or loss in computing the amount of taxable income:

1. Expenditure for the purchase or construction of machinery, equipment, buildings, facilities and other fixed assets;

2. Expenditure for the purchase of intangible assets;

3. Interest on capital;

4. Income tax payments and local surtax payments;
5. Penalties for illegal operations and losses in the form of confiscated property;
6. Overdue tax payments and tax penalties;
7. Losses from windstorms, floods and fire risks covered by insurance indemnity;
8. Donations and contributions other than those for public welfare and relief purposes in China;
9. Royalties paid to head offices;
10. Other expenses that are not relevant to production and operation.

Article 11

Reasonable administrative expenses paid by a foreign enterprise to its head office in connection with production and business operations and actual expenses paid to the head office for services directly provided may be listed as expenditures, which should be backed up by certifying documents from the head office, receipts and vouchers, together with a financial report signed by a registered accountant, and examined and approved by the local tax office where the enterprise is located.

If agreement on sharing of administrative expenses paid to its head office is included in the contract signed by a foreign enterprise with a Chinese enterprise for cooperative production or joint business operations, such payments may be listed as expenditures according to the method defined in the contract, after examination and approval by the local tax office.

Article 12

Foreign enterprises are permitted to list as expenditures interests paid on loans at reasonable rates, which should be backed up by certifying documents on the loans and interest payments and examined and verified by the local tax offices as being normal loans.

Article 13

Reasonable entertainment expenses paid by a foreign enterprise for the purpose of production and business operation, which should be backed up by certifying documents, receipts and vouchers, may be listed as expenditures within the following limits:

1. Entertainment expenses of a foreign enterprise whose annual net volume of sale of products is less than 15 million yuan shall be no more than 3 per thousand of its annual net volume of sale of products; if its annual net volume of sale of products exceeds 15 million yuan, its entertainment expenses for that portion above 15 million yuan shall be no more than 1 per thousand of that portion.

2. Entertainment expenses of a foreign enterprise whose annual total business income is less than 5 million yuan shall be no more than 10 per thousand of its total business income; if its annual total business income exceeds 5 million yuan, its entertainment expenses for that portion above 5 million yuan shall be no more than 3 per thousand of that portion.

Article 14

Depreciation of a foreign enterprise's fixed assets in use shall be calculated on an annual basis. A foreign enterprise's fixed assets cover houses, buildings, machinery and other mechanical apparatuses, means of transport and other equipment used for the purpose of production and operation with a useful life of more than 1 year. Items with a per-unit value of less than 500 yuan and a short useful life, and which are not major equipment used for the purpose of production and operation, may be listed as expenses according to the actual number in use.

Article 15

Fixed assets shall be assessed according to the original price.

For fixed assets used as investment by a foreign enterprise and a Chinese enterprise engaged in joint production or business operation, the original price shall be the price agreed upon by the participants.

For purchased fixed assets, the original price shall be the purchase price plus transport fees, installation expenses and other related expenses incurred before they are put to use.

For self-made and self-built fixed assets, the original price shall be the actual expenditures incurred in the course of manufacture or construction.

For used fixed assets that are shipped in from abroad, the price shall be reassessed according to documents certifying their original price, the number of years in use, data on their market price and their actual value. For fixed assets without certifiable documents, the price shall be assessed by the enterprise and reported to the local tax office for reassessment according to their actual value.

Article 16

Depreciation of fixed assets shall be calculated beginning from the month when they are put in use. When fixed assets cease to be used within a certain tax year, their depreciation shall no longer be calculated beginning from the month following that in which they are no longer used.

The investment of an enterprise engaged in petroleum prospecting in the sea shall be calculated using the oilfield (or gasfield) prospected as a unit; the entire investment shall be regarded as capital expenditure. Depreciation shall be calculated beginning from the month when the oilfield (or gasfield) is put into production for commercial purposes.

Article 17

In the depreciation of fixed assets, the residual value shall be assessed first and deducted from the original price, the principle being that of setting the residual value at 10 percent of the original price; those cases that call for the retention of a small or no residual value at all shall be submitted to the local tax authorities for approval. If the depreciation of fixed assets is calculated in a comprehensive way, the residual value may not be retained.

The depreciation of fixed assets shall generally be computed on average by the straight line method.

Article 18

Useful life for the purpose of computing depreciation of fixed assets is defined as follows:

1. The minimum useful life for houses and buildings is 20 years.
2. The minimum useful life for trains, ships, machines and equipment and other facilities for the purpose of production is 10 years.
3. The minimum useful life for electronic equipment, means of transport other [than] trains and ships as well as appliances, apparatus and furniture relevant to production and operation is 5 years.

For cases where the fixed assets of a foreign enterprise, owing to special reasons, need to accelerate depreciation or where methods of depreciation need to be modified, applications shall be submitted by the said enterprise to the local tax authorities for examination and then relayed level by level to the Ministry of Finance for approval.

The depreciation of fixed assets resulting from investment by a foreign enterprise engaged in petroleum prospecting in the sea during and after the period of prospecting may be calculated in a comprehensive way; the time for depreciation shall be no less than 6 years.

The above provision applies to enterprises engaged in coal mining.

Article 19

Expenditure arising from increase of value and from prolongation of the useful life of fixed assets in use as a result of expansion, replacement, rebuilding or technical reform shall be regarded as capital expenditure and shall not be listed as expense.

Fixed assets continuing to be in use after full depreciation shall no longer be depreciated.

Article 20

The balance of the gain of a foreign enterprise, derived from the transfer of ownership of its fixed assets or from their sale at current prices after deduction by the net sum of nondepreciated assets or the residual value, shall be entered in the year's loss and gain account.

Article 21

Intangible assets such as patent rights, technical know-how, ownership of sites and other royalties the possession of which has been transferred to a foreign enterprise shall be assessed by amortization according to the payment of a reasonable price from the month they begin to be in use.

The above-mentioned intangible assets used as investment by a foreign enterprise and a Chinese enterprise engaged in joint production and business operation shall be assessed by amortization according to the sums provided in the agreements or contracts from the month they begin to be in use.

As for those intangible assets with a time limit provision on their use, if they are transferred or used as investment, they shall be assessed by amortization according to the provision of the time limit; those without the provision shall be assessed by amortization in no less than 10 years.

Article 22

Expenses arising during the period of preparation for a foreign enterprise shall be amortized after it goes into production or business, with the time of amortization being no less than 5 years.

Reasonable prospecting expenses incurred by a foreign enterprise engaged in petroleum prospecting in the sea may be amortized from the income from its oil-field (or gasfield) which has gone into production for commercial purposes, with the time of amortization being no less than 1 year.

Article 23

Inventory of merchandise, raw materials, in-production products, semifinished products, finished products and byproducts shall be computed according to the cost price. As for the method of computation, the enterprise may choose one of the following: First-in first-out, shifting average and weighted average. In those cases where a change in the method of computation is necessary, it shall be submitted for approval to the local tax authorities.

Article 24

When a foreign enterprise cannot provide evidence of accurate costs and expenses, and so it is impossible to accurately calculate its taxable income amount, local tax authorities shall determine its profit rate and taxable income on the basis of its net amount of sales or its total amount of business income and according to the profit level of other enterprises of the same or similar trade.

For engineering projects undertaken by foreign enterprises under contract for the exploration and exploitation of seabed oil resources, the profit rate and the taxable income amount shall be determined on the basis of the total income from the project undertaken.

Article 25

For foreign air and maritime transport enterprises engaged in international transport business, the taxable income amount shall be 5 percent of the total income earned from transport service for passengers and cargoes loaded within the territory of China.

Article 26

For foreign enterprises which cooperate with Chinese enterprises in production and which prorate the products with Chinese enterprises, they are considered as having income when such products are distributed, and the amount of the income shall be calculated on the basis of the prices at which the products are sold to the third party or according to the prevailing market prices of the products.

Foreign enterprises engaged in cooperative projects for the exploitation of seabed oil resources are considered as having income when they receive their share of crude oil, and the amount of the income shall be calculated on the basis of a price which is adjusted periodically according to the international market price of crude oil of equal quality.

Article 27

The income obtained from dividends, interest, rentals, royalties and other sources in China mentioned in Article 11 of the tax law is explained as follows:

Dividends mean dividends obtained from or profits shared with enterprises in China.

Interest means interest earned from deposits or loans, interest on various bonds purchased and interest earned from payment made for others and from deferred payment in China.

Rentals mean rentals on property rented to others in China.

Royalties mean the income obtained from patent rights, special technical know-how, copyright and ownership of trademarks provided for use in China.

Income from other sources means the income which is decided by the Ministry of Finance to be taxable other than the above.

Article 28

With regard to the income obtained from dividends, interest, rentals, royalties and other sources in China referred to in the preceding article, unless otherwise stipulated, the total amount of the income shall be used for the purpose of assessing the amount of tax to be paid, and such tax shall be withheld by the paying units from each payment.

Article 29

The international finance organizations mentioned in Article 11 of the tax law mean the International Monetary Fund, the World Bank, the International Development Association, the International Fund for Agricultural Development and other finance organizations of the United Nations. The preferential interest rate mentioned therein means an interest rate which is at least 10 percent less than the general interest rate in the international monetary market.

Article 30

China's state banks mentioned in Article 11 of the tax law include the People's Bank of China, the Bank of China, the Agricultural Bank of China, the People's Construction Bank of China, the Investment Bank of China and the International Trust and Investment Corporation which is authorized by the State Council to do foreign exchange deposit, loan and credit business with foreign firms.

Article 31

The income derived from interest on deposits mentioned in paragraph 4 of Article 11 of the tax law does not include the interest obtained from the deposits of foreign banks in China's state banks at a rate lower than the interest rate prevailing in the international monetary market. Income derived from interest on deposits at a rate lower than the interest rate in the international monetary market is exempted from income tax.

Article 32

The payments mentioned in Article 11 of the tax law include the amounts paid in cash, by remittance and through transfers and the equivalent amounts paid with negotiable securities or material objects.

Article 33

The income tax to be paid in quarterly installments prescribed in Article 7 of the tax law may be paid according to the actual quarterly profit or it may be paid in the amount equivalent to one-fourth of the annual tax computed on the basis of the current year's planned profit or the preceding year's actual income.

Article 34

For foreign enterprises which have operated less than a year, the income tax to be paid shall be assessed on the basis of the actual income earned during the period of operation at the applicable tax rate stipulated by the tax law.

Article 35

When foreign enterprises go into operation or close down, they shall, within 30 days prior to starting operation or closing down, go to the local tax authorities for tax registration in connection with their opening or closing business in accordance with Article 10 of the tax law.

Article 36

Foreign enterprises shall file their income tax returns and their final accounting statements with the local tax authorities within the prescribed period irrespective of profit or loss in the tax year and, unless otherwise stipulated, shall send the audit reports by chartered public accountants registered in the People's Republic of China.

Article 37

When foreign enterprises are unable to file tax returns within the prescribed time limit because of special circumstances, they shall submit an application within the said time limit, and upon approval of the local tax authorities, the time limit for filing tax returns and for final settlement may be extended appropriately.

The final day of the time limit for tax payment and filing tax returns may be extended if it falls on an official holiday.

Article 38

Accounting on the accrual basis shall be practiced for revenue and expenditure of foreign enterprises. All accounting records shall be accurate and perfect and shall have lawful vouchers as the basis for entry account.

Article 39

Vouchers for accounting, accounting books and reports used by foreign enterprises shall be recorded in the Chinese language or in both Chinese and foreign languages.

Accounting vouchers, accounting books and reports shall be kept for at least 15 years.

Article 40

Sales invoices and business receipts shall be submitted for approval to the local tax authorities before they are used.

Article 41

Officials sent by tax authorities shall produce identification cards when investigating the financial affairs, accounting books and tax situation of a foreign enterprise and undertake to keep the investigations secret.

Article 42

Foreign enterprises with income in foreign currency shall pay income tax in quarterly installments. The income shall be assessed according to the exchange rate quoted by the State General Administration of Foreign Exchange Control on the day when the tax payment certificates are made out and shall be taxed in Renminbi. The final settlement shall be made after the end of the tax year to

determine the amount to be refunded by the tax authorities or made up by the taxpayer. Refunds or makeup payments shall be made in Renminbi according to the exchange rate quoted by the State General Administration of Foreign Exchange Control on the last day of the tax year.

Article 43

Tax authorities may impose a penalty of not more than 5,000 yuan on a foreign enterprise which has violated the provisions of Article 8, paragraph 2 of Article 9, Article 10 or Article 12 of the tax law according to the seriousness of the case.

Article 44

Tax authorities may impose a penalty of not more than 5,000 yuan on a foreign enterprise which has violated the provisions of paragraph 2 of Article 39 or Article 40 of these detailed rules and regulations.

Article 45

"Evasion of income tax" and "refusal to pay income tax" as stated in paragraph 3 of Article 15 of the tax law are hereby explained:

"Evasion of income tax" refers to the taxpayer's deliberate violation of the provisions of the tax law by forging, altering or destroying ledgers, receipts or vouchers for entry account, misrepresenting and overstating costs and expenditures, concealing or understating the amount of taxable income or earnings, avoiding taxes, or by other illegal actions.

"Refusal to pay income tax" refers to the taxpayer's resistance to the provisions of the tax law by refusing to file tax returns and produce certificates, receipts and vouchers for tax purposes, refusing to be investigated by tax authorities on financial affairs, accounting books and tax situations, refusing to pay taxes and fines according to the law, or by other illegal actions.

Article 46

Tax authorities shall serve notices on cases involving penalties in accordance with the relevant provisions of the tax law and these detailed rules and regulations.

Article 47

When a foreign enterprise applies for reconsideration in accordance with the provisions of Article 16 of the tax law, the tax authorities concerned are required to make decision within 3 months after receiving the application.

Article 48

Income tax returns and tax payment certificates used by foreign enterprises are to be printed by the General Taxation Bureau of the PRC Ministry of Finance.

Article 49

The right of interpreting the provisions of these detailed rules and regulations resides in the PRC Ministry of Finance.

Article 50

These detailed rules and regulations come into force on the same day as the publication and enforcement of the Income Tax Law of the PRC concerning foreign enterprises.

CSO: 4006/329

FINANCE AND BANKING

BRIEFS

HUBEI FINANCIAL SUCCESS—Lin Shaonan, vice governor and director of the provincial Finance Bureau, delivered a report on budgetary matters at the fourth session of the Fifth Provincial People's Congress. He announced: The province fulfilled all its financial tasks for 1981 and achieved a balanced budget with a slight surplus. Revenue exceeded the budgeted figure by 3.8 percent. Expenditures basically exceeded the development requirements of all production and construction work. It is estimated that the province will have a surplus of 64 million yuan. This is a very great achievement. The cadres and masses throughout the province worked very hard for this. [Summary] [HK140904 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 13 Feb 82]

CSO: 4006/331

INDUSTRY

BRIEFS

ANHUI OFFICIAL MEETS ECONOMIC TEAM--According to ANHUI RIBAO, on 17 February, Zhang Jingfu, first secretary of the provincial CCP Committee; Zhou Zijian, secretary of the provincial CCP Committee and Anhui governor; and Su Yu, secretary of the provincial CCP Committee and Anhui vice governor, met with all members of the economic coordination group of Shanghai light and textile industries and heard their views on jointly developing the production of glassware, starch, alcohol and soft drinks and on technical assistance. Warmly welcoming the arrival of the economic coordination group from Shanghai, the provincial CCP Committee and the people's government looked into the possibility of further developing the soft drinks and food industries by taking advantage of Shanghai's technical expertise and Anhui's abundant supply of agricultural raw materials. The 17-man economic coordination group was headed by Liu Siren, director of the Shanghai Light Industry Bureau. While in Hefei, members of the group held discussions with comrades of the Anhui Economic Coordination Office, the Anhui First Light Industry Department and the departments concerned in Pengpu and Su County on joint production of glass bottles and containers, starch, alcohol and soft drinks and on technical coordination in the production of wristwatches, sewing machines, bicycles and other items. Director Liu Siren also visited the Hefei wristwatch plant, the Hefei bicycle plant, the Hefei tobacco factory and the Hefei chemical works. [Text] [OW221045 Hefei Anhui Provincial Service in Mandarin 1100 GMT 21 Feb 82]

SHANGHAI COLLECTIVELY OWNED ENTERPRISES--Shanghai, 12 Feb (XINHUA)--Urban collective enterprises in Shanghai produced 7,000 million yuan worth of industrial goods in 1981, according to municipal authorities. The figure is 72.9 percent larger than in 1978, the year before the nation's economic readjustment and new policies to encourage collective economy were started, the authorities said. It accounts for 11 percent of Shanghai's total industrial output value. Collective factories and services employed 1 million workers and staff at the end of 1981, a 5.5 percent increase from the previous year and 20 percent of the city's total employment, they said. In 1981, the authorities said, collectively owned factories run by neighborhood committees produced 6 million garments, 900,000 radios, 200,000 lamps and 190,000 electric meters. Collectively owned factories also produced 100 million yuan worth of export goods in 1981, including shirts, woolen sweaters and watch bands. [Beijing XINHUA in English 0245 GMT 12 Feb 82]

JIANGSU CHEMICAL FIBER PROJECT--Beijing, 11 Feb (XINHUA)--Ten thousand builders are braced for full-scale construction of China's largest chemical fiber complex, the Yizheng Chemical Fiber Industrial Company in Jiangsu Province. Preparations for the project began in 1978, but it was suspended in October 1980 due to shortage of funds. Zhang Leshan, deputy director of the project, who is presently in Beijing as a delegate to the national conference on textile industry, told XINHUA that the first stage of the project was resumed in October last year after receiving a loan from the China International Trust and Investment Corporation. When the whole project is completed, it will produce 120,000 tons of polyester cut film and 360,000 tons of polyester staple fiber. The main equipment will be imported from West Germany. Zhang Leshan said that the first stage of the project will be completed by June of 1984. He said that the Ministry of Textiles Industry, which attaches importance to the project, has appointed a vice minister, Wang Cuiting, as the director of the project. [Beijing XINHUA in English 1222 GMT 11 Feb 82]

CONSTRUCTION

BRIEFS

ZHEJIANG FAMILIES' NEW HOMES—Hangzhou, 26 Jan (XINHUA)--More than 53,000 urban families in coastal Zhejiang Province are celebrating the traditional Chinese lunar new year in their new homes. New housing projects completed in the province last year had a total floor space of 3,185,000 square meters, 4 percent more than in 1980. The floor space of new housing projects now under construction totals 2.74 million square meters. It is expected that another 50,000 families will have new homes by the end of this year. The province spent 291 million yuan on housing construction last year, about 170 million yuan coming from funds collected by local governments and enterprises. Individuals are encouraged to build private houses with money out of their own pockets. A rough count shows that about 5,000 families had had private houses built by the end of last year. The total floor space is 250,000 square meters. The local governments also built houses totalling 52,000 square meters in floor space for sale. [Text] [OW290433 Beijing XINHUA in English 0825 GMT 26 Jan 82]

CHEN GUODONG SEES PREFABRICATED HOME—Leading comrades of the Shanghai Municipal CCP Committee and the municipal people's government Chen Guodong and Wang Daohan have shown great interest in the lightweight prefabricated house now on display at the meeting to exchange experience in scientific and technical cooperation. Mayor Wang Daohan took personal interest in publicizing this type of house. Since it was displayed, 18 units have placed purchase orders. This type of lightweight prefabricated house was designed and trial-manufactured by the Municipal Housing Control and Scientific-Technical Research Institute. Covering a total of 15 square meters in floor space, it is fully equipped with electricity and water supply. Simple in structure, its structural components weigh combined only 2.5 dun. It is easy to dismantle and pack. This kind of prefabricated house is not only ideal for use as temporary and transient quarters for visiting relatives and newlyweds but is also suitable for use as sales stalls by various commercial enterprises. To quickly popularize the use of this type of house, Mayor Wang Daohan on 16 February personally called a meeting of responsible comrades of departments concerned for discussion and consultation and made on-the-spot comments on the design and the improvement of this type of house. It was tentatively decided that the construction price should range from 120 to 150 yuan per square meter and that from 5 to 10 sets of design be submitted by the end of this month. [Text] [OW231425 Shanghai City Service in Mandarin 1130 GMT 22 Feb 82]

CSO: 4006/330

DOMESTIC TRADE

BRIEFS

ANHUI TRADE FAIR TRANSACTIONS--Business was brisk in Anhui Province's 2,457 urban and rural trade fairs in 1981. The amount of transactions at these fairs totaled 1,384.37 million yuan, topping 1980 by 10.79 percent and accounting for 18.57 percent of the total retail sale. In 1981, the province's total industrial and agricultural output value topped 1980 by more than 10 percent. The price of grain and oil at these trade fairs in 1981 was 4.78 percent lower than 1980. The amount of vegetables transacted at these fairs was 350 million jin, topping 1980 by 25 percent. [OW290219 Hefei Anhui Provincial Service in Mandarin 1100 GMT 22 Jan 82]

JIANGXI HOLDS PRICE MEETING--The Jiangxi Provincial People's Government recently held a meeting of responsible comrades of various provincial commissions, bureaus, offices and departments to discuss and adopt measures on implementing the State Council circular on stabilizing commodity prices. Wang Shixian, vice governor, presided over and addressed the meeting. He called on all government offices to seriously implement the State Council circular and take steps to stabilize commodity prices. He also warned that violations of price policies, including unauthorized price hikes, speculations and other illicit acts, will be severely dealt with. Provincial departments and bureaus as well as units under their supervision are asked to conduct a checkup on the implementation of price policies before the spring festival. [OW201408 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 14 Jan 82]

CSO: 4006/331

LABOR AND WAGES

BRIEFS

ANHUI TRADE UNION CONFERENCE--After 8 days of meetings, the Anhui Provincial Trade Union conference on ideological and political work, convened by the Anhui Federation of Trade Unions, closed on 16 January. The conference held that, to realize China's four modernizations program, it is necessary to strengthen ideological and political education among staff members and workers. To achieve this objective, the conference called on all trade unions in the province to conduct education on Marxism-Leninism-Mao Zedong Thought among staff members and workers, to show concern for their welfare, to commend those who have done their work well and to promote spare-time cultural activities among them. [OW290219 Hefei Anhui Provincial Service in Mandarin 1100 GMT 27 Jan 82]

JIANGSU WORKERS EDUCATION--The Jiangsu Provincial People's Government held a meeting from 6 to 11 February in Nanjing to discuss education among staff and workers. The meeting was presided over by Wang Bingshi, Standing Committee member of the provincial CCP Committee, vice governor of Jiangsu and chairman of the provincial staff and Workers Education Administrative Committee. Han Peixin, secretary of the provincial CCP Committee, addressed the meeting. It was decided at the meeting that in the next 2-3 years emphasis be put on training cadres to fill leadership posts and on conducting ideological and political education among young and middle-aged staff members and workers who came to work in factories after the start of the cultural revolution. The meeting also called attention to make up literacy education and technical training for these staff members and workers. According to the meeting, nearly 2 million staff members and workers in the province require such makeup education and training, and the target calls for 60-80 percent of them completing their literacy education and technical training by 1985. [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 11 Feb 82]

SHANGHAI LABOR INSURANCE--Shanghai, 14 Feb (XINHUA)--The Shanghai Municipal People's Insurance Company has started an insurance business to cover pensions and medical costs for more than 100 workers in 11 collective units in the city's Zhabei district. The fees are divided into three grades--5, 10 and 15 yuan per capita a month, paid by the collective unit. The retirement pension will be determined by the amount paid in. Medical insurance is 3 yuan for every person covered by each collective unit. In case of illness, a worker will have 70 percent of his medical cost covered. Free medical service and labor insurance, including pensions, have been available only to workers and staff in government institutions, schools, army units, state-owned enterprises and some collectively owned units. Around 30,000 workers in 1,500 collective units in Shanghai do not enjoy labor insurance, and 85 percent of them are young people in their twenties. [Beijing XINHUA in English 0730 GMT 14 Feb 82]

CSO: 4020/102

TRANSPORTATION

DALIAN PORT HANDLES ABOVE DESIGNED CAPACITY

OW230501 Beijing XINHUA in English 0732 GMT 23 Feb 82

[Text] Shenyang, 23 Feb (XINHUA)--Dalian port in Liaoning Province, one of the largest in northern China, handled 33 million tons of cargo in 1981, 175 percent more than its designed capacity, according to the Provincial Communications Department.

The port handled 8.3 percent more cargo in January than during the same month of last year, the department said.

In 1981 it handled 5,536 standard cases of containers, six times as many as in 1980, weighing 33,000 tons, the department reported.

The average time needed for loading and unloading was shortened from 9.6 days in 1979 to 4.6 days in 1981. The improvement, the department said, resulted from the establishment of a joint committee last year, which coordinates the work of foreign trade, railway departments and port authorities.

Cargo awaiting shipment at the port averaged 300,000 tons each day in 1981, 50 percent less than in 1979.

The port will be able to handle 40 million tons of cargo in 1985 upon completion of 12 large deep-water berths and three wharves for containers, coal and ores, the department said.

Dalian now has 12 wharves including China's largest up-to-date oil wharf and wharves for bulk cargo and dry goods with mechanized equipment. It mainly handles crude oil, refined oil, iron and steel, timber, grain, ores and light and textile industrial goods. More than 3,200 Chinese and foreign ships call at this 70-year-old port every year.

CSO: 4020/102

TRANSPORTATION

BRIEFS

FUJIAN BUILDS FISHING PORTS--Fuzhou, 28 Jan (XINHUA)--Fujian Province, one of China's major fishing centers, is building 16 fishing harbors in an effort to expand fishery production, according to the Provincial Aquatic Products Bureau. The first stage of the Mawei fishing harbor has been completed recently, the bureau said. The harbor, the largest in Fujian, is near the provincial capital of Fuzhou. The project's first stage is a 184-meter-long wharf with four 2,000-ton-class berths, and five mooring pontoons for 300-ton ships. A cold storage, five warehouses, a ship-repair yard and an office building have also been built, all for the Fujian Provincial Marine Fishing Company. The harbor's second stage will involve a 5,000-ton-class deep-water berth and four mooring pontoons for 300-ton ships. A processing factory and warehouses will also be built. The harbor will accommodate 200 ships when completed. Another harbor, Dongdu, was completed in Xiamen at the end of 1981, according to the bureau. It has a 2,000-ton-class wharf and three mooring pontoons for 300-ton ships. The harbor is designed for 100 ships. Five other medium-sized and nine small fishing harbors are also under construction in the province, the bureau said. In addition to wharves and mooring pontoons, they have cold storages, ship-repair yards and aquatic product processing factories. [Text] [OW291355 Beijing XINHUA in English 0744 GMT 28 Jan 82]

CSO: 4020/102

GENERAL

BRIEFS

SHANDONG INSURANCE BUSINESS--The insurance business has made progress in Shandong Province. By the end of 1981, over 37,800 enterprises and individuals had written insurance covering property worth 23.4 billion yuan. In 1981, 1,046 enterprises and individuals covered by property insurance policies received indemnities totaling 5.6 million yuan. This helped enterprises sustaining property damage to restore production. [SK062250 Jinan Shandong Provincial Service in Mandarin 2300 GMT 5 Feb 82]

NANJING CORPORATION INTEGRATES PLANTS--Nanjing, 12 Jan (XINHUA)--The Associated Automobile Manufacturing Corporation of Nanjing, which integrates motor vehicle plants in Jiangsu, Anhui, Fujian and Jiangxi Provinces and the city of Wuhan, Hubei, was inaugurated here on 9 January. The corporation will concentrate on developing and producing one to four ton light-duty trucks. Production, sales and research and development will be integrated. The corporation will readjust and streamline the production of the plants attached to it as well as technology and the organizational structure. [Text] [OW201408 Beijing XINHUA in English 0257 GMT 12 Jan 82]

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